

**NETHERLANDS  
: EAST-INDIAN :  
SAN-FRANCISCO-  
COMMITTEE.**

**DEPARTMENT OF AGRICULTURE  
INDUSTRY & COMMERCE**

**|| || || No. V. || || ||**

**Some facts about the public  
finances of Netherlands East-India.**







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1914

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## SOME FACTS ABOUT THE PUBLIC FINANCES OF NETHERLANDS-EAST-INDIA.

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### General.

The administration of the public finances of Netherlands-East-India has been fixed by law. The main provisions of the law for the system of this administration are firstly that Netherlands-East-India constitutes a personality by herself, carrying her own account of revenues and expenditures, borrowing in her own name and having her own budget, and secondly that this budget is yearly fixed by the Netherlands legislative power. From this system to the system of financial autonomy is but a short distance and the annihilating of this distance is at the present time no more than a question of a short space of time. The development of the present system of administration of the Netherlands-Indian finances into financial autonomy of Netherlands-East-India now depends only upon the constitution of a colonial body having the power to decide with regard to the colonial budget. Dealing with colonial budget has in former times been chiefly instrumental for the Netherlands legislative power maintaining its influence and control on the colonial administration and, in consideration of the apert usefulness and profit for the colony of this control, the maintaining of the budget right by the Netherlands legislative power has until the last year in the mother country stood for an unviolable principle of colonial administration. However political and legal considerations in course of time proved stronger. On one side it has been thought practically impossible to expect in a Netherlands representative body the sufficient knowledge of all the wants and needs that claim fulfilment for the colony's welfare and on the other side, the colony having been constituted a personality of her own and in consequence of this having to bear the financial responsibility of her acts herself, it has been deemed expedient to lay the decision concerning her budget with herself. A bill has therefore now been entered by the

Netherlands representative body with a view to creating for Netherlands India a Colonial Council empowered with the budget right of the colony, under the supreme control however of the Netherlands legislative power. The enactment of this bill is desired by all political parties and is considered an undoubted event of the near future.

The budget consists of a law of revenues and a law of expenditure. By the law of revenues the administrative power is entitled to levy the taxes and duties therein named and by the law of expenditure means are placed at the disposal of the respective Departments of public service. The accounts of these Departments have to pass the examination of an independent Audit, called Court of Account, which annually reports to the Governor General on the management of the public finances that have been carried on.

### Revenues.

The principal feature of the Netherlands-East-India public revenues is that they proceed from five sources viz. imposts, monopolies, public services, industrial enterprizes and sundries.

The impost system reposes on the assets of landed and builded property, successions, incomes, consumption and expenditure and deeds. Landed and builded property, successions, incomes, expenditure as showing themselves in the standard of living and deeds are subject to direct taxation, consumption is affected by tariff duties at the import. Besides. this also the export of some products is hit by light export duties.

The monopolies of the fisc consist of the retail sale of salt and opium and of the pawnbroker's profession. However the monopoly of loaning on pawns is carried on on a footing of covering its mere expenses exclusive of all profit. Being rather a burden for the fiscal it may not rank with its sources of revenue.

The public services comprise postal, telegraph, telephone and railway services. Road conveyance is free. No tolls are levied.

The industrial enterprizes of the colony bear an agricultural and a mining character. In the first character she produces



timber (teak), cinchonabark, coffee and rubber. In the second she produces coal and tin.

Besides these the colony draws revenues from the sale and grant of lands, the grant of mining rights, from anchorage, harborage and pilotage commodities, school-pay, irrigation works etc.

In the following table some particulars are given of the aggregate of gross revenues in dollars under these heads in 1912:

Taxation	36.944.000
Monopolies	22.720.760
Public services	14 568.320
Government Trading	
Ventures	23.076.000
Sundries	9.799.950
	<hr/>
Total	107.109.030

while the output of these sources of revenue in the last 25 years appear in the next table whereby averages of 5 years are drawn into comparison on account of the fluctuations that are caused by the products year after year.

Years	Total revenue in dollars.
1887 — 1891	51.666.350.
1892 — 1896	52.313.200
1897 — 1901	56.464.500
1902 — 1906	61 906.000
1907 — 1911	83.379.450
1912	107.109.030

Theoretically the weak point of the system exists in its dependence on products, the outputs and prices of these every year underlying fluctuations. The practical results however are not of a nature to give much credit to theory, as may be seen from the following table showing the gross revenues in dollars from the colony's industrial enterprizes of the last 25 years:

1887 — 1891	17.298.400
1892 — 1896	14.141.200
1897 — 1901	13.660.800
1902 — 1906	14.860.400
1907 — 1911	14.236.800
1912	23.076.000

However as a test of the elasticity of the financial system these sorts of revenues cannot compete with the monopolies which by their nature present more stability and security of regular increase. The gross revenues in dollars under this head were

1887 — 1891	12.556 030
1892 — 1896	12.552.800
1897 — 1901	12.705.200
1902 — 1906	14.094.400
1907 — 1911	18.404.400
1912	22.720.760

Of the public services the colony's railways merit attention, the gross revenues having been in dollars:

1887 — 1891	2.492.800
1892 — 1896	3.720.400
1897 — 1901	5.264.400
1902 — 1906	6.331.200
1907 — 1911	8.668.800
1912	10.825.200

The figures of the two last tables may give evidence that the system's risk, which lies in the colony's enterprizes, is fully counterbalanced by the system's securities lying in the monopolies and public services. In course of time the revenues of the products have assumed the character of a slightly variable, accidental, contribution to the revenues, which allows the colony to build railways and irrigation works without borrowing for the purpose. The backbone of her financial system is



constituted by the public services, the monopolies and, most of all, by the imposts. These latter now may be considered somewhat more closely. As far as they consist of direct taxations (on landed and builded property, incomes, successions etc.) they do not tell the same tale as the indirect taxations (tariff duties and exises) as may appear from the underlying table showing their respective gross outputs in dollars.

	Direct taxation	Indirect taxation.
1887 — 1891	11.861.200	4.264.800
1892 — 1896	12.653.600	5.517.200
1897 — 1901	13.561.200	7.285.600
1902 — 1906	14.331.200	8.229.200
1907 — 1911	17.194.000	12.940.000
1912	23.185.800	13.757.200

So, while in 25 years the direct taxations have doubled their output, the indirect taxations have trebled theirs. The reason of this difference is that the direct taxations are advancing in an unequal tempo. The income tax has in 25 years increased its output by 225%, the death and stamp duties by 95%, the taxation of landed and builded property by 40%, the impost on the standard of living by 21%, while the special taxation of natives has rendered 27% more. From these facts it may be concluded that the colony's consuming power has in those 25 years increased most of all, and its creative power of producing incomes next to that but that the power of creating landed and builded property has been weak and further that the standard of living shows no propensity to raise its level. These conclusions are in accordance with the every day facts. The sources of income flow abundantly but the fortunes that are made emigrate for the greatest part to Holland contributing but little to the extension of vested interests in the colony. However these conclusions ought to be accepted with some reserve on account of the retouches that most of the taxations have in the last 25 years undergone. As far as the natives are concerned the statistics give evidence that in the past 25 years their direct contribution to the fisc has

not only not been aggravated but has been somewhat alleviated because in the same time their number has increased by 40%.

### Expenditures.

The principal feature of the colony's expenditure account is that it contains expenditure of three different characters viz: firstly the expenditure for providing in the general public service, secondly the working expenses for carrying on the monopolies and other trades and thirdly the extraordinary expenses for capitals invested in ports, irrigation works and railways and in these monopolies and trades. Although they are all provided for in one budget, this budget allows a close sifting of the expenditures for the different purposes. Another characteristic feature of the colonial budget is that the expenditure for trades, capital investments and extraordinary expenses is all covered by the revenue budget. In former years the colony borrowed money in the mother country's name especially for her railway establishment and on this account she is owing still some 20 millions of dollars. In later years the revenues flowing in more liberally she now is in a position not only to face all her expenses of whatever nature they be with these mere revenues, but also to free herself gradually of the light debt burden that is still resting on her. So a somewhat closer inspection of her expenditure may overlook the public debt service but on the other hand has to separate the figures of the general budget into the figures for the general service, those for the running of the trades and those for extraordinary expenses in connection with these trades. First of all, to give an idea of the range of the extraordinary expenses that are contained in the aggregate of the general budget, the following table gives a sifting of the extraordinary and the other expenses in dollars for the past eight years until 1912:

	Extraordinary (Capital) Expenditures	All other Expenditures	Total Expenditure
1905	3.565.880	62.320.000	65.885.880
1906	2.970.720	62.680.000	65.650.720
carried forward	6.536.600	125.000.000	131.536.600



brought forward	6.536.600	125.680.000	131.536.600
1907	2.047.950	67.400.000	69.447.950
1908	2.723.080	70.520.000	73.243.080
1909	3.824.532	72.400.000	76.224.532
1910	7.109.142	79.280.000	86.389.142
1911	6.515.527	86.300.000	92.815.527
1912	9.070.327	91.440.000	100.510.327
Totals	37.827.158	592.340.000	630.167.158

As these figures show, the extraordinary expenses take for their part an average of about 6% of the general budget. They therefore can hardly be considered as a cause of disturbance of the financial machine's working. The objects in which they are invested, on the contrary, work as reserves countervailing the effect of bad crops and bad prices. Of the above-named, 37.8 millions of dollars were invested,

19.100.000 in railways,

8.800.000 „ ports and port accomodation, .

1.650.000 „ irrigationworks,

2.550.000 „ telegraph- and telephone services,

5.700.000 „ land, buildings and machinery on behalf of the colony's monopolies and trades. By this way the extraordinary expenses in the system are largely instrumental in an upheaval of the revenues. However, by this way they also contribute to cause an extension of the other disbursements because the increase of the monopolies' and trades' business necessarily is accompanied by an increase of the working expenses employed for them, as may appear by the following table giving the analysis for the past three years of the aggregate of the above named "All other expenditures" in dollars:

	1910	1911	1912
Service Expenditure	58.530.000	64.100.000	67.050.000
Monopolies	4.840.000	6.100.000	6.264.000
Other Industrial Expenditure and Public Services	15.910.000	16.100.000	18.126.000
Totals	79.280.000	86.300.000	91.440.000

However, as this table also shows, the expenditure for the general service is increasing at the same quick pace as that for monopolies, trades and public services. The following table may give a closer account of this phenomenon. It presents in dollars a comparison of the heads which are chiefly responsible for the increase:

	1905	1912	Increase in 7 years %
Education	2.059.200	4.753.400	131 %
Administration of Justice	2.284.400	2.882.400	26 „
Police	781.200	1.992.000	155 „
Agriculture and veterinary service	435.600	897.600	106 „
Roads and public buildings	3.675.600	8.651.700	136 „
Marine (material)	3.162.800	4.793.200	51 „
Public health	1.114.400	1.657.600	48 „
Transport of officials by sea	556.200	954.900	71 „

Taking in to account the effective disbursements for the General Service in 1912, which surpassed the abovenamed aggregate of \$ 67.050.000 of the budget provisions, we can form an idea of the details of the service and the relative importance of every item from the following:

Civil service . . . . .	8.570.600	12.6 %
Local government . . . . .	2.162.200	3.2 „
Justice, police, penal establishments etc . .	6.419.500	9.4 „
Education . . . . .	4.753.400	7 „
Public health, veterinary service etc . . .	2.881.900	4.2 „
Public roads and buildings . . . . .	8.651.700	12.7 „
Public worship . . . . .	334.300	0.5 „
Mining department . . . . .	403.500	0.6 „
Public debt . . . . .	1.694.600	2.5 „
Pensions, leave-pay etc . . . . .	2.981.700	4.3 „
Transport of officials from and to Holland. . .	934.900	1.3 „
Advances . . . . .	577.300	0.8 „
Army . . . . .	18.688.000	27.4 „
carried forward	59.053.600	86.5 %



	Brought forward	59.053.600	86.5 %
Marine . . . . .		6.713.000	10 „
Sundries . . . . .		2.367.600	3.5 „
	Total	<u>68.134.200</u>	<u>100 %</u>

As appears from this table the expenditure for the defense and the civil service lays a heavy burden on the colony's finances. They together claim for their part the half of the total of the budget provisions. A great part of the officials constituting the body of the civil service is recruited out of the native community, but those for the higher grades all are recruited in the mother country. As the public services every year grow in extension and efficiency the number of high officials incessantly increases and at the same time the costs of transport to and from the mother country and the aggregate of pensions, leave pay etc: increases in importance. High wages, high pensions and high costs of transport are to be considered as the colony's tribute to civilisation by which she pays her own deficiency. They take the place of an import of brain and leading qualities, which the colony is not yet up to produce by herself sufficiently. On the other hand the colony profits by the fruits of this import, among other things by the creation on her behalf of finances on highly productive lines without recourse to borrowing.

### Balances.

These merits of the colony's financial system may now be seen from a survey of the balances which are left by the revenues and expenditure for monopolies, trades and public services and of the employment of these balances. We therefore present in the underlying table the aggregate of the net results in dollars of the different services after deducting all the disbursements from the revenues. As far as the imposts are concerned the cost of collecting them has been drawn off. The figures for the years 1910, 1911 and 1912 realize the balances of the effective revenues and disbursements, those for the years 1913 and 1914 reproduce the budgetary provisions, both without taking into account the extraordinary expenses:

	1910	1911	1912	1913	1914
				Estimated.	
Imposts	31.342.000	32 620.000	34 716.600	33.800.000	35.793.200
Monop- lies	11.934 000	11.497.600	13.740.000	12.809.200	13 289 200
Trades	8.050.400	12.502.400	14.246.800	8.841.600	9.806.400
Public services	3.484 400	4.910 400	5 248.000	5.418.800	6.362.000
Sundries	7.180.000	8.996.300	9.749.900	16 979.300	19.356 900
Totals of net result	61.990.800	70.526 700	77.701.300	77 848.900	84 607.700
Expen- ditures for general services (all ex- penses for mo- nopo- lies, tra- des, pu- blic ser- vices, costs of collec- ting ta- xes and capital expen- diture exclud- ed) have amount- ed to or are esti- mated at	58.911.700	64.956.500	68.137.800	77.130.600	83.789.600
surplus.	3.079.100	5.570.200	9.563.500	718.300	818.100



In the years 1910, 1911 and 1912 a total amount of \$ 22.000.000 has been employed for extraordinary expenses, of which, as the above standing figures show, \$ 18.000.000 has been furnished by the balances of the ordinary services. In the same time the revenues from Imposts and Sundries are increased from \$ 38.522.000 to \$ 44.466.500, viz. with \$ 5.944.500, giving for these two sources of revenue an average net increase of about 3 millions dollars per year. The three other sources of revenue show in these three years a net increase of \$ 9.766.000, giving an average net increase per year of about 4.9 millions of dollars. So a total net increase of about 7.9 millions of dollars per year may be reckoned as the normal effect of the system in its present conditions. These 7.9 millions of dollars represent  $12\frac{1}{2}\%$  of the 1910 aggregate. Therefore there is some reason to anticipate for the year 1918 an aggregate of net revenues of double the 1910 one viz. about \$ 124.000.000. Conducted on these productive lines the Netherlands East Indian finances seem substantial enough to meet, even for the future, with all the wants and needs of the colony without recourse to borrowing.

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